

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0872H.01I
Bill No.: HB 223
Subject: Taxation and Revenue - Income; Tax Incentives; Taxation and Revenue - General;
Department of Revenue; Employees - Employers; Juries; Business and Commerce
Type: Original
Date: March 20, 2025

Bill Summary: This proposal authorizes an income tax deduction for employers who provide pay regular wages to employees serving jury duty.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	\$0	Greater than or less than (\$367,498)	Greater than or less than (\$331,544)
Total Estimated Net Effect on General Revenue	\$0	Greater than or less than (\$367,498)	Greater than or less than (\$331,544)

***Oversight** notes for the purpose of the fiscal note, Oversight assumes a top income tax rate of 4.7% in tax year 2025 (FY 2026) and future income tax rate reductions from SB 3 (2022) will trigger consecutively (4.6% in FY 2027 and 4.5% in FY 2028+).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue - DOR	0 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	0 FTE	1 FTE	1 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

143.1250 - Deduction for Jury Duty Compensation

Officials from the **Office of Administration - Budget and Planning (B&P)** note beginning with tax year 2026, this proposal would allow businesses to deduct up to 100% of regular wages paid to an employee serving jury duty. The deduction shall be applied to the employer's Missouri taxable income and less any amount of jury duty compensation reimbursed to the employer.

B&P notes that regular wages are already deductible at the federal level. Missouri has rolling conformity with the federal business expenses deduction; therefore, regular wages are also already deducted from Missouri income tax. This proposal would grant an additional deduction for the same wages paid.

B&P was unable to determine how many employers pay workers during jury duty; however, pay is not mandatory in Missouri. Therefore, B&P estimates that this proposal will reduce TSR by an unknown, could be significant, amount beginning FY27 (for tax year 2026 income tax returns).

Officials from the **Department of Revenue (DOR)** note when calculating state tax liability, a taxpayer begins with their Federal adjusted gross income (FAGI) and then ends with their Missouri adjusted gross income (MAGI). After all deductions the state tax liability is what remains. This proposal attempts to create a state deduction for employers based on the payment of wages to employees who serve jury duty as long as the employee gives their jury duty pay to their employer. Therefore, the amount of wages would be subtracted from the MAGI to determine tax liability.

It should be noted that these wages already are deducted by the employer on the federal level, see 26 U.S.C. § 162 on the federal tax return. This means that they are already subtracted from the FAGI and not in the MAGI calculation. Adding this as a deduction to the Missouri return will give these employers a 200% deduction for compensation to employees on jury duty in Missouri.

DOR is unable to estimate the number of employers who actually pay their employees for their jury duty. DOR assumes this could have a fiscal impact exceeding \$250,000 annually. DOR notes that this starts with tax years beginning on or after January 1, 2026, and therefore, this will not impact state revenue until January 2027 when the first returns are filed claiming the credit.

This would require DOR to change its MO-1040, MO-1120 & MO 1120S, MO-PTE & MO - 1065 forms at a cost of \$2,200 each. Additionally, the department would have to update its website and computer systems (\$7,327).

DOR will need one Associate Customer Service Representative (\$37,020) for every 14,700 errors and one for every 5,700 pieces of correspondence generated. DOR assumes the need for one FTE to start and will seek additional FTE through the appropriation process.

Oversight will show the abovementioned 1 FTE for DOR for purposes of this fiscal note.

However, **Oversight** notes the first tax year in which taxpayers would qualify for the proposed tax deduction is Tax Year 2026. Oversight notes individuals would not file their Tax Year 2026 tax returns until after January 1, 2027 (6 months after the beginning of Fiscal Year 2027).

Therefore, Oversight will report DOR's administrative cost(s) beginning in Fiscal Year 2027, assuming DOR can hire and train such FTE(s) within the first six (6) months of Fiscal Year 2027; before Tax Year 2026 tax returns would begin to be filed claiming the new/expanded tax deductions.

Oversight notes current law does not require an employer to pay regular wages while an employee is on jury duty. Oversight notes this proposal provides an income tax deduction for employers who pay regular wages to employees serving jury duty.

Oversight notes according to the [Missouri Courts 2023 Annual Report](#), there were 2,629 jury trial days in Missouri in 2023. Assuming an average hourly wage of \$29.38 per hour, hourly jury compensation of \$6/hr., and assuming 12 jurors per jury per day,

Oversight estimates about \$5,804,832 could be eligible for deduction under this proposal. (\$29/hr. * 8 hrs. * 2,629 jury trial days * 12 jurors per day - \$1,514,304 in jury compensation paid).

Oversight notes this proposal begins January 1, 2026, and therefore, this will not impact state revenue until FY 2027.

Oversight notes the following fiscal impact to general revenue in proportion to the top tax rate applied throughout the implementation of the tax rate reductions from SB 3 (2022).

Tax Rate	2025 (FY26)	2026 (FY27)	2027 (FY28)+
4.70%		(\$272,827)	(\$272,827)
4.60%		(\$267,022)	(\$267,022)
4.50%		(\$261,217)	(\$261,217)

Oversight notes the above fiscal impact assumes all jurors receive wages from their employers at an estimated average hourly rate. The actual fiscal impact depends upon the number of employees and actual wage received by employees whose employer chooses to claim this deduction. Therefore, Oversight will show a fiscal impact greater than or less than the figures in the table above.

Oversight notes some jurisdictions may provide additional jury compensation such as mileage allowance or per diem.

Oversight notes the state individual income tax rate (4.7% in tax year 2025) is to be reduced in annual increments (if certain triggers are met) until it reaches 4.5%. This fiscal note reflects the assumptions that the future individual income tax rate reductions pursuant to SB 3 (2022) will occur consecutively.

Officials from the **Oversight Division** state they are responsible for providing a Sunset Report pursuant to Section 23.253 RSMo; however, Oversight can absorb the cost with their current budget authority.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Costs - DOR - §143.1250</u>			
Personnel Service	\$0	(\$37,760)	(\$38,516)
Fringe Benefits	\$0	(\$30,926)	(\$31,229)
Expense & Equipment	\$0	(\$31,790)	(\$582)
<u>Total Costs -</u>	\$0	(\$100,476)	(\$70,327)
FTE Change	0 FTE	1 FTE	1 FTE
<u>Revenue Reduction - §143.1250 -</u> Income tax deduction for wages paid to employee during jury duty	\$0	Greater than or less than (\$267,022))	Greater than or less than (\$261,217)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	Greater than or less than (\$367,498)	Greater than or less than (\$331,544)
Estimated Net FTE Change on General Revenue	0 FTE	1 FTE	1 FTE

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Certain small businesses that qualify for the proposed deduction could be impacted by this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2026, an employer will be allowed a tax deduction of up to 100% of regular wages paid to an employee serving jury duty, minus any amount of the employee's jury duty compensation remitted to the employer.

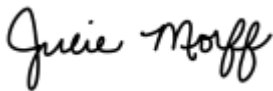
If an employer is found to have violated certain state or federal laws affecting jury duty, that employer will be deemed ineligible for the deduction under this bill for the tax year in which the violation occurred. If the violation was discovered within one year of receiving the deduction,

the employer must repay to the state the amount of tax savings realized from the deduction. These provisions sunset on December 31st, six years after the effective date.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



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Director
March 20, 2025



Jessica Harris
Assistant Director
March 20, 2025